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TAGS: [ETRD](#) [WTRO](#) [ECON](#) [PGOV](#) [UP](#)

SUBJECT: 11/17 WTO UPDATE: UKRAINE MAKES GREAT STRIDES ON OUTSTANDING LEGISLATION

REF: A. KYIV 4237

[1B](#). KYIV 4183
[1C](#). KYIV 4104
[1D](#). KIEV 3670
[1E](#). KIEV 3569
[1F](#). KIEV 2587

Classified By: ECONOMIC COUNSELOR DOUGLAS KRAMER
FOR REASONS 1.4 (B) AND (D)

[11](#). (SBU) Summary: Parliament made remarkable progress on outstanding legislation for WTO accession during this week, and has now adopted 12 out of 21 required laws. GOU leaders clearly had given orders to move forward on the legislation, likely in order to help smooth the way for PM Yanukovych's upcoming visit to Washington. Some MPs remain concerned about the negative consequences of accession on the agricultural sector, however, and the GOU will have to work hard to ensure that no provisions of the laws are non-WTO compliant. End Summary.

[12](#). (U) This is the latest edition in a series of regular update cables regarding the status of Ukraine's WTO accession.

Outstanding WTO-related Legislation

[13](#). (U) During the summer, Ukraine had identified 21 pieces of legislation and 6 Cabinet resolutions that they believe are necessary to meet outstanding commitments to WTO members and to bring the country fully in line with WTO rules. Voting on several of these laws took place during the week of November

[113](#). Parliament adopted (in final reading) ten of the laws:
-- "On Pesticides and Agrochemicals" (to maintain a ten-year period for protecting undisclosed information);
-- "On Export Duty on Live Animals and Skins" (to reduce export duty rates);
-- "On Banks and Banking Activity" (to allow foreign banks to open branches in Ukraine);
-- "On Advocacy" (to enable foreign attorneys to operate in Ukraine);
-- "On Insurance" (to eliminate restrictions on agreements with foreign insurers and to provide permit for re-insurance of risks);
-- "On Foreign Economic Activity" (to amend non-tariff regulation of imports);
-- "On Medicinal Drugs" (to protect undisclosed information in the registration of medicinal drugs);

-- "On Veterinary Medicine" (to ensure compliance with SPS agreements);
-- Amendment to the Customs Code (to grant customs officials "Ex Officio" rights in the IPR field);
-- Amendment to some legislative acts, on the license fee for production of spirits, alcohol and tobacco products.

¶4. (U) During the week, Parliament passed five additional laws in the first reading:
-- "On the Export Duty on Waste of Ferrous Metals" (to reduce export duty rates);
-- "On State Support of Agriculture" (to regulate import-export transactions and clarify terminology);
-- "On Milk and Dairy Products" (to eliminate export subsidies for milk and dairy products);
-- "On State Regulation of the Production and Sale of Sugar" (to eliminate export quotas type B and C from regulation mechanisms);
-- "On Tariff Rate Quota for Raw Cane Sugar Imports" (to introduce an annual tariff quota in the amount of 260,000 tons for raw cane sugar).

¶5. (U) The parliament's rapid work was a follow-up to initial steps taken during the week of October 30, when Parliament passed most of the same laws in the first reading (ref B). All of the laws passed by large margins, but Parliament did choose to make amendments to some. (Note: Post is reviewing available texts to determine what changes have been made.) To date, Ukraine's parliament has adopted 12 of the 21 WTO-related laws. Parliament has passed another five in the first reading. An additional three draft laws have been submitted to the parliament but not yet gone to the first reading. One WTO-related law, to create a framework for the use of biotechnology products, has not yet been submitted --

KYIV 00004304 002 OF 003

the Cabinet of Ministers has tasked the Ministries of Agriculture and Health to draft. Post will send an updated legislation tracker to EUR/UMB via email. Parliament is scheduled to meet again in plenary session during the week of November 27.

¶6. (C) Econoff discussed WTO accession on November 13 with Oleksiy Plotnikov, Party of Regions MP and deputy chairman of Parliament's Economic Policy Committee, which was responsible for several of the adopted laws. While Plotnikov had spoken cautiously of WTO accession during November 1 parliamentary hearings, his tone was now much more positive. Plotnikov emphasized that he fully supports WTO accession "as a member of the Party of Regions," and said that he did not expect major opposition to the outstanding legislation. Plotnikov noted, however, that the agriculture-related bills might be more difficult than others, as MPs believe Ukraine's agricultural sector is particularly vulnerable.

¶7. (C) Ivan Bokiy, Socialist MP and chairman of Parliament's European Integration Committee, also stressed concerns for the agricultural sector in a November 17 meeting with Econ Counselor. Studies had shown, according to Bokiy, that full implementation of WTO requirements would force two million Ukrainian agricultural workers out of their jobs. He said that Ukraine would need five-year transition periods to implement some WTO requirements, especially new rules on agricultural support. Econ Counselor encouraged Bokiy to look to different methods of agricultural support, those that would not distort trade or violate WTO rules, but which would still provide the necessary flexibility to help the rural sector. Bokiy made it clear that, agricultural issues aside, his party wants to see Ukraine in the WTO as soon as possible. He expressed concern that Russia might leapfrog Ukraine on the way to accession, and said he hoped recent progress on legislation would be appreciated in Washington and help Ukraine to join the WTO before, or at least with, Russia. He predicted the remaining laws would be passed within two weeks.

¶18. (SBU) Successful passage of the law "On Medicinal Drugs," which contains important commitments from the U.S.-Ukraine bilateral agreement, was a particularly positive step due to the substantial number of special interests that tried to attach problematic amendments to the bill. Representatives of U.S.-based companies expressed concern to Econ Counselor about two proposed amendments, one to introduce a five-year transition period, and another to redefine the term "innovative drug" in a way inconsistent with international norms. Economic Counselor met with Tatiana Bakhteeva, chairwoman of the Parliamentary Healthcare Committee, on November 15 to reinforce the USG position that Parliament should adopt the law as agreed during bilateral negotiations and submitted by the President. Bakhteeva said she strongly supported the bill as submitted, without amendments, believing it would help improve the quality of medicines on the Ukrainian market, and her Committee recommended that Parliament pass the law without amendment. In voting on the bill November 16, MPs indeed left out the troublesome amendments, although they did modify one word of the President's draft.

Comment: Full Steam Ahead

¶19. (C) The ruling coalition's leadership clearly has given orders to MPs to make quick work on the outstanding legislation, as demonstrated by the surprising, absolute support expressed to us by several Party of Regions MPs. (Note: The Communists remain opposed to virtually all WTO legislation, but they are more than counterbalanced by support for WTO from many deputies from Yushchenko's "Our Ukraine" and the Tymoshenko bloc.) Post suspects the push on legislation was due in large part to Prime Minister Viktor Yanukovych's visit to Washington in early December. MP Bokiy noted to Econ Counselor that the coalition government, including the Socialists, felt responsible for providing deliverables prior to Yanukovych's trip. We suspect the new energy on passing legislation is designed to allow Yanukovych to dispel worries that he is going slow on WTO or trying to

KYIV 00004304 003 OF 003

synchronize accession with Russia (ref C). Post has also heard speculation, including from Regions MP Dmytro Sviatash, that progress on legislation might reflect a deal between Yanukovych and President Viktor Yushchenko, whereby Yanukovych would agree to push ahead with WTO accession in exchange for Yushchenko's support of the government's proposed budget. In addition, Ukrainian negotiators have used the tentative date of mid-December for the next WTO Working Party meeting to pressure MPs to make immediate progress.

¶10. (SBU) Comment continued: This latest round of voting was also significant in that it was the first time MPs voted on agriculture-related bills, which Post expected to be the most hotly contested. The laws nonetheless passed by wide margins, very similar to the last round of voting (ref B). During the parliamentary debate, however, several MPs, most notably from Bloc Yulia Tymoshenko and the Socialist Party, voted in favor of agriculture-related legislation, but expressed reservations. The draft laws, they said, would require amendment before the final vote in order to better protect the domestic agricultural industry. While the government has succeeded in pushing through a substantial portion of the legislative agenda during the month of November, the most difficult work may lie in fighting off non-WTO compliant amendments to the next round of bills in Committee.

Taylor